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PEOPLE ON THE MOVE: GLOBAL MIGRATION'S IMPACT AND OPPORTUNITY

DECEMBER 2016

EXECUTIVE SUMMARY

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PEOPLE ON THE MOVE: GLOBAL MIGRATION'S IMPACT AND OPPORTUNITY

DECEMBER 2016

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IN BRIEF

GLOBAL MIGRATION'S IMPACT AND OPPORTUNITY

Migration is a key feature of a more interconnected world. Despite significant concerns about its economic and social implications, the movement of people across the world's borders boosts global productivity. The countries that prioritize integration stand to make the most of this potential—improving outcomes for their own economies and societies as well as for immigrants themselves.

- More than 90 percent of the world's 247 million cross-border migrants moved voluntarily, usually for economic reasons. The remaining 10 percent are refugees and asylum seekers who have fled to another country to escape conflict and persecution. Roughly half of these 24 million refugees and asylum seekers are in the Middle East and North Africa, reflecting the dominant pattern of flight to a neighboring country. But the recent surge of arrivals in Europe focused the developed world's attention on this issue.
- Roughly half of the world's migrants have moved from developing to developed countries, where immigration is a key driver of population growth. From 2000 to 2014, immigrants contributed 40 to 80 percent of labor force growth in major destination countries.
- Workers moving to higher-productivity settings boosts global GDP. MGI estimates that migrants contributed roughly $6.7 trillion, or 9.4 percent, to global GDP in 2015—some $3 trillion more than they would have produced in their origin countries. North America captured up to $2.5 trillion of this output, while up to $2.3 trillion went to Western Europe. Migrants of all skill levels make a positive economic contribution, whether through innovation, entrepreneurship, or freeing up natives for higher-value work.
- Employment rates are slightly lower for immigrants than for native workers in top destinations, but this varies by skill level and by region of origin. Refugees typically take longer than voluntary migrants to integrate into the destination country. Immigrants generally earn higher wages by moving, but many studies have found their wages remain some 20 to 30 percent below those of comparable native-born workers.
- Extensive academic evidence shows that immigration does not harm native employment or wages, although there can be short-term negative effects if there is a large inflow of migrants into a small region, if migrants are close substitutes for native workers, or if the destination economy is experiencing a downturn.
- The costs of managing entry are typically less than 0.2 percent of GDP across major destinations but can escalate when there is a large wave of refugees. Most studies indicate that immigrants have a small but net positive fiscal impact in their destination countries and play a positive role in easing pension burdens.
- The economic, social, and civic dimensions of migrant integration need to be addressed holistically. An examination of 18 major destination countries reveals that not a single one is addressing all three of these aspects effectively. We identify more than 180 promising interventions from around the world that can improve integration outcomes. Some of their guiding principles include changing the narrative to recognize the economic opportunity inherent in immigration; beginning integration interventions early and sustaining them over the long term; empowering local stakeholders to implement initiatives that work for their communities; making integration a two-way process between native-born and immigrant communities; and building partnerships with the private sector and NGOs.

Narrowing the wage gap between immigrant and native workers from 20–30 percent to 5–10 percent through better economic, social, and civic integration would translate into an additional $800 billion to $1 trillion in global output annually. The success or failure of integration across areas such as employment, education, health, and housing can reverberate for many years, influencing whether second-generation immigrants become fully participating citizens or remain in a poverty trap.

People on the move: Global migration's impact and opportunity

247 million people live outside their country of birth

90% are voluntary or economic migrants, while **10%** are refugees or asylum seekers

50% have moved from developing to developed countries

35% are high-skill migrants with tertiary education or above

Economic impact of migrants

Labor force

40–80% of labor force growth in top destinations between 2000 and 2014 was contributed by migrants

GDP

Migrants contributed **9.4%** of global GDP, or **$6.7 trillion**—some $3.0 trillion more than they would have produced in their origin countries

Productivity

Migrants of **all skill levels** contribute to the productivity effect in top destinations

Employment

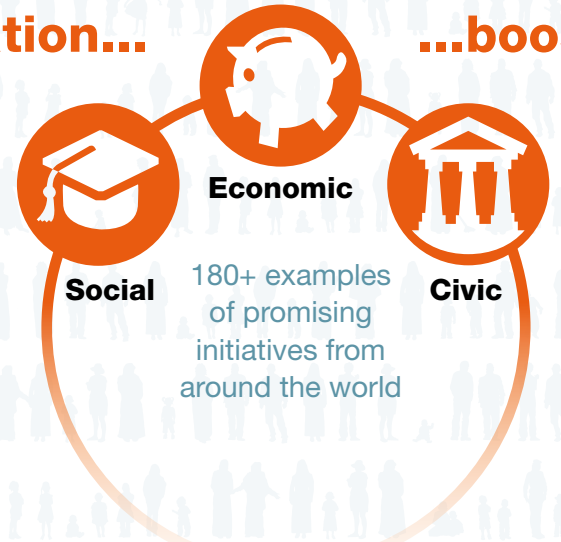
Migrants **do not harm** the long-run employment or wages of native workers

Wages

The average wage gap between native and migrant workers with similar skills is **20–30%**

Holistic integration...

Successful integration has **3 critical, interlocked dimensions**



...boosts global GDP

Better integration outcomes could increase the economic contribution of migrants by up to **$1 trillion** annually

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EXECUTIVE SUMMARY

The act of leaving behind everything that is familiar to start over in another country is a leap of faith. That leap has been taken by approximately a quarter of a billion people who have left their birthplace and now live in another country where they hope to build a better life. While conflict has forced some of them to flee their homes, the vast majority move across borders voluntarily.

3.4%
Migrants as a share of the world's population

9.4%
Share of global GDP contributed by migrants

Our analysis finds that in 2015, the world's 247 million cross-border migrants contributed 9.4 percent of global GDP, or roughly $6.7 trillion worldwide—some $3 trillion more than they would have produced in their origin countries. This occurs largely because migration moves labor to more productive regions and occupations. Highly skilled professionals are not the sole source of this productivity effect; low- and medium-skill migrants similarly contribute. Their presence can enable destination countries to achieve growth by expanding their workforces and filling in labor force gaps. A large body of research has shown that immigrants have a negligible impact on the wages and employment of native-born workers and on the fiscal resources of destination countries.

Despite these long-term benefits, the short-term challenges can be significant. To some citizens of destination countries, migrants represent competition for jobs and scarce fiscal resources or even a potential threat to social cohesion. There is growing opposition to immigration, particularly in developed economies facing slow growth, rising inequality, and structural changes in their labor markets. In some places, there is heated political debate about accepting immigrants, even in economies that could benefit from the labor, innovation, entrepreneurial energy, and dynamism they can bring. Countries around the world will need to have these debates—but ensure they are based on evidence. It will also be critical to look at whether the right interventions are in place to smooth the way to successful integration.

Governments cannot afford to be merely reactive or to assume the integration process will take care of itself over time. There are substantial benefits at stake. Making a clear improvement in the way immigrants integrate into destination countries—not only in terms of employment but also in areas such as education, housing, health, and community engagement—could add $800 billion to $1 trillion to the global economy annually.

Despite the misgivings and controversy surrounding it, cross-border migration is a natural outcome of a more interconnected world and a global labor market. This report aims to provide needed clarity on some fundamental questions: Who are the world's migrants? Where do they come from, and where do they go? What are the numbers today, and what does the future trajectory look like? What are the economic costs and benefits? And what can both the public and private sectors do to smooth the way for immigrants to integrate more fully into societies around the world?

65%
of the world's migrants live in developed countries

MIGRATION IS INCREASING, AND MOST FLOWS CONSIST OF PEOPLE MOVING FROM DEVELOPING TO DEVELOPED REGIONS

As of 2015, approximately 247 million people lived in a country not of their birth—a number that has almost tripled in the past 50 years.[1] Over the past 15 years alone, the total number of migrants worldwide has increased by 74 million. Most of them gravitate to places where they believe they will find jobs and opportunity. As of 2015, approximately 65 percent of the world's migrants were residing in developed economies. About half of all migrants globally have moved from developing to developed countries—in fact, this is the fastest-growing type of migration flow (Exhibit E1). Migration to developing countries, though a smaller share of the global total, is still very significant. Some 79.6 million people, or almost one-third of the world's migrants, have moved from one developing country to another.

Roughly 80 percent of the world's migrants originally hail from developing regions. The top three regions of origin are developing Latin America, which accounts for approximately 18 percent of the global total, developing Eastern Europe and Central Asia (16 percent), and the Middle East and North Africa (14 percent). India, Mexico, and China are the leading countries of origin, but outside of this small group, no single country accounts for more than 3 percent of the world's migrants (Exhibit E2).[2]

While migrants come from all corners of the globe, their destinations are more concentrated. Just five regions—Western Europe, North America, the Gulf Cooperation Council (GCC) states, Oceania, and developed East and Southeast Asia—have collectively attracted 87 percent of the 160 million migrants who reside in developed destinations. At the country level, the top ten nations have accounted for 60 percent of the growth in total migrants in developed countries since 2000. In sheer numbers, the United States tops the list of destinations. In 2015, it was home to some 47 million immigrants, or 19 percent of the world's total migrant population.

While some migrants have traveled long distances from their origin countries, more than 60 percent of global migration still consists of people moving to neighboring countries or to countries in the same part of the world. In fact, nine of the top ten corridors globally, including Mexico to the United States, connect neighboring countries. At the regional level, the most heavily traveled corridor is from developing Latin America to North America. There are also major short-haul corridors linking neighboring developing countries.

Migration is replacing fertility as the primary driver of population growth in key developed regions worldwide. Since 2000, growth in the total number of migrants in developed countries has averaged 3.0 percent annually, far outstripping the 0.6 percent annual population growth in these nations. Migrants also make up a major share of the population in the developed world. Today, first-generation immigrants constitute 13 percent of the population in Western Europe, 15 percent of the population in North America, and 48 percent in the GCC countries.

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1 We discuss migration in terms of stock numbers (the total number of foreign-born people in a particular destination) as opposed to flows, or how many people move across borders in a given year. This report relies on data from the United Nations Department of Economic and Social Affairs (UNDESA). It is likely that these data include some irregular migrants but do not capture their full numbers. Note that second- and third-generation migrants are considered natives in their countries of birth. We segment the 232 countries listed in the UNDESA international migration stock 2015 revision into 15 regions that are categorized as either "developed" or "developing," based on income level definitions used by the World Bank.

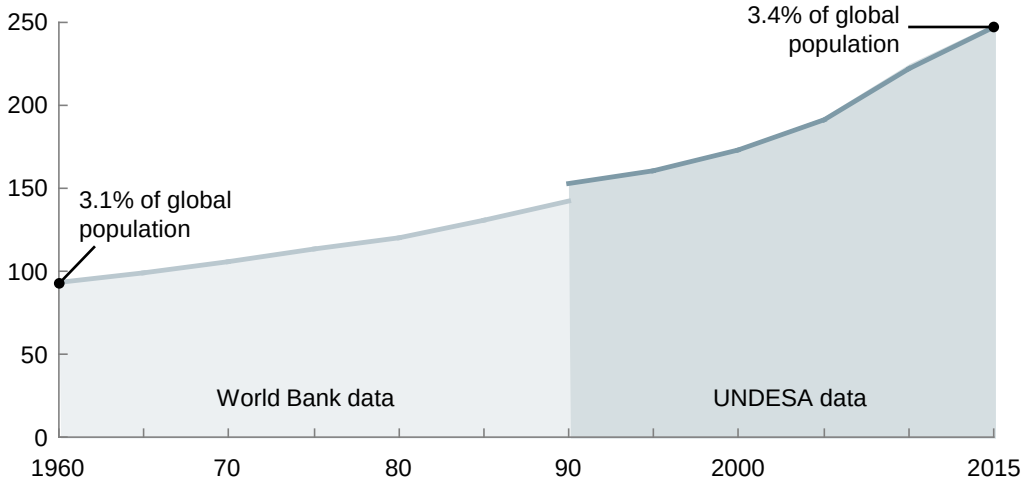
2 Russia appears as the third-highest country of origin in UN statistics, but this is largely attributable to migration during the Soviet era. After the breakup of the USSR in 1990, many people who had moved within the union were reclassified as migrants after the redrawing of national borders. Given that the stock number has been stagnant over the past 25 years, we consider Russia an outlier.

Once they arrive in their destination country, migrants overwhelmingly remain in cities, where they are significant drivers of both urban population growth and economic growth. Some 92 percent of immigrants in the United States live in urban areas, as do 95 percent in the United Kingdom and Canada, and 99 percent in Australia. In cities, they are more likely to gain a foothold by joining large numbers of fellow immigrants in communities where they find a familiar language and support networks.

Exhibit E1

Migration has been a consistent historical trend, with growth driven by the movement from developing to developed countries

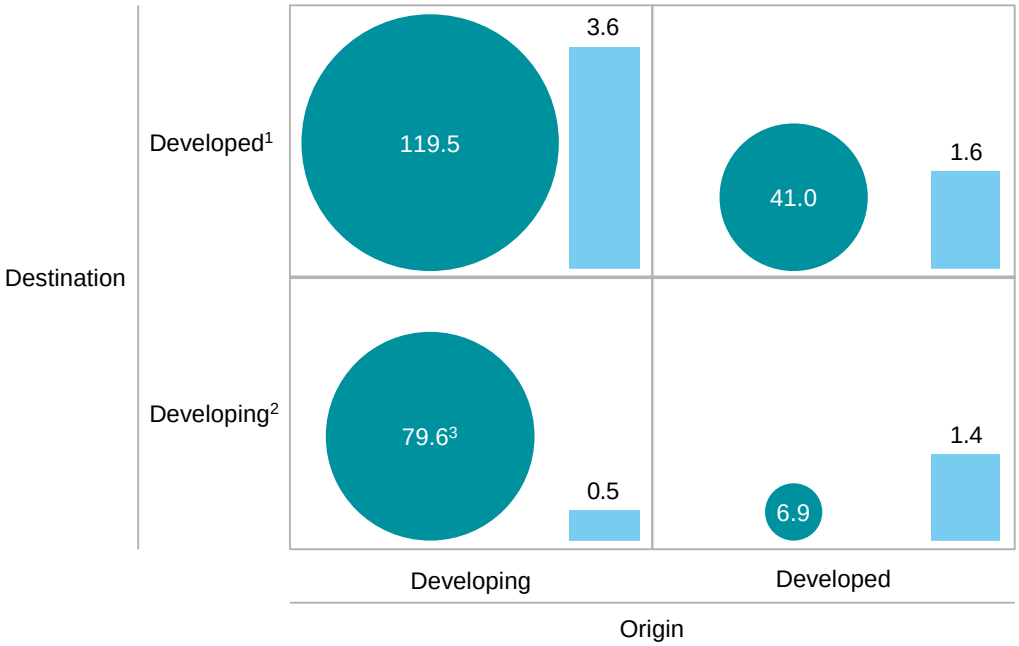
Global international migrants
Million



Migrant population and growth by origin and destination development level

Population, 2015
Million

Compound annual growth rate, 1960–2015
%



1 Includes all high-income and major developed countries. Includes two million migrants in Israel and Cyprus from the developing region of the Middle East and North Africa.
2 Includes low-income, lower-middle income, and upper-middle income countries, per World Bank classifications.
3 Changes in developing to developing are primarily driven by fluctuations in forced migration.
NOTE: Some 11.1 million migrants from unknown origins or with unknown development levels are assumed to come from developing origins.

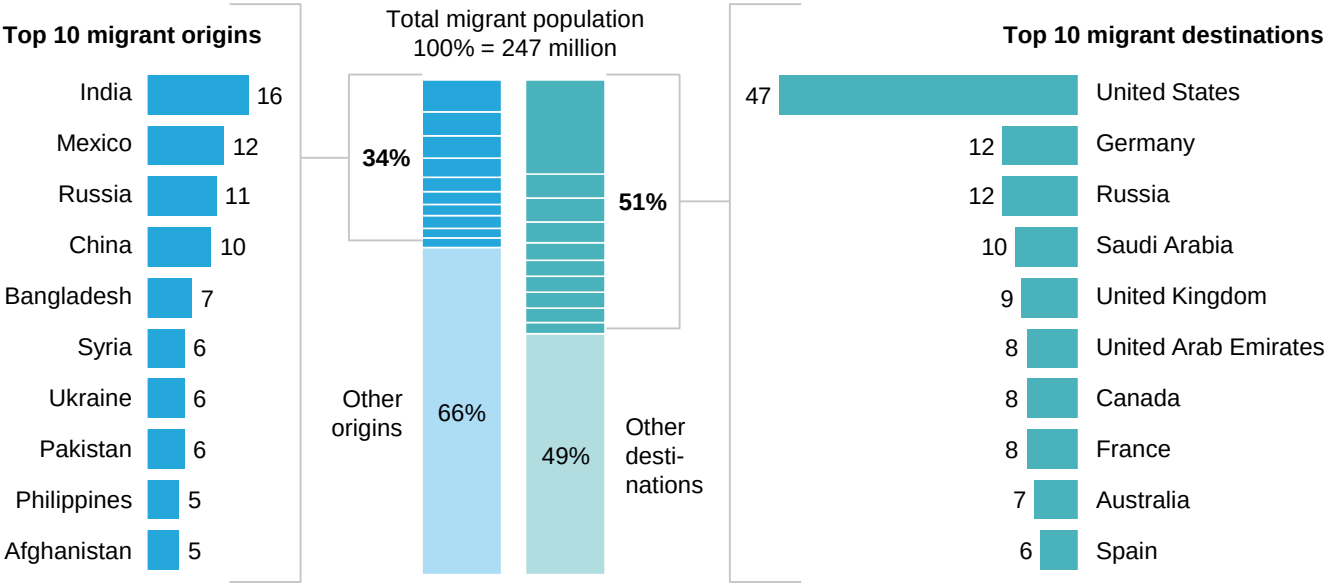
SOURCE: UNDESA; World Bank; McKinsey Global Institute analysis

Exhibit E2

India is the top origin country, and the United States is the top destination

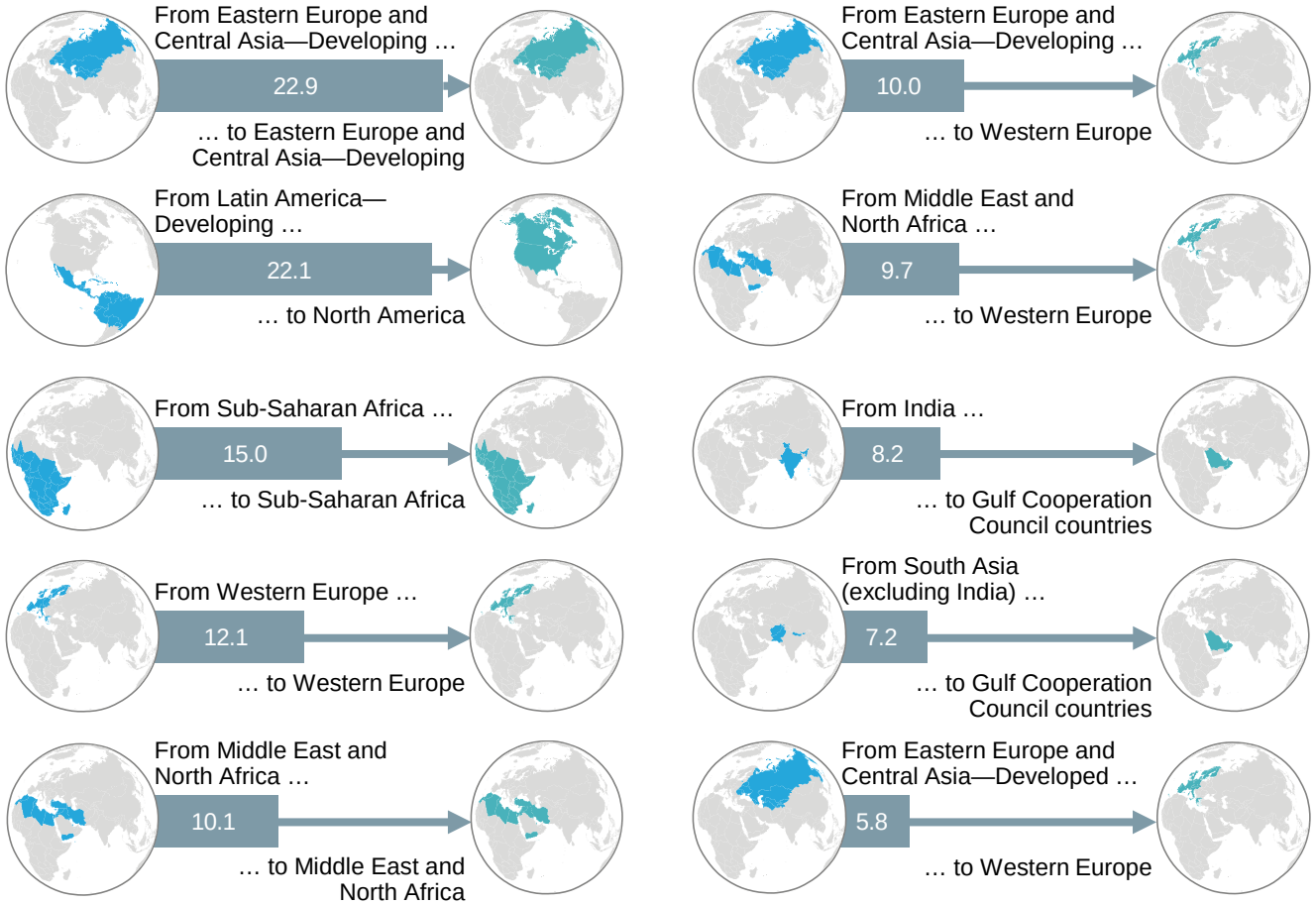
The top 10 migrant origins and destinations

Million



The top ten movements[1]

Total migrant population, million



1 Includes both interregional and intraregional movement.
NOTE: Numbers may not sum due to rounding.

SOURCE: UNDESA; World Bank; McKinsey Global Institute analysis

FOR TOP DESTINATIONS, IMMIGRANTS ARE AN IMPORTANT SOURCE OF LABOR

In addition to driving population growth, migrants make up a substantial share of the labor force in destination regions. From 2000 to 2014, they provided approximately 48 percent of labor force growth in the United Kingdom, 45 percent in Spain, 42 percent in Canada, and 37 percent in the United States.

As the labor market has become more global, many countries have come to rely on foreign workers to fill occupational shortages. In Saudi Arabia, for example, approximately eight million foreign workers account for almost a third of the country's population and a remarkable 85 percent of its labor force. In this case, they provide physically demanding labor in sectors such as construction, where nine out of ten workers are foreign-born. But they also fill gaps in fields that demand a high degree of education and professional training. Some 200,000 health specialists from abroad constitute two-thirds of all health professionals in the country.[3]

MOST MIGRANTS ARE LOW- AND MEDIUM-SKILL WORKERS WHO MOVE VOLUNTARILY, BUT REFUGEE FLOWS HAVE SPIKED IN RECENT YEARS

Broadly grouping migrants based on why they made the decision to leave their country of origin is useful, as it can help shape policy responses based on the root causes of movement. These causes affect the circumstances surrounding the arrival of migrants, their legal status, the assets and networks they may possess, and their likelihood of return.

For this reason, we look at two primary types of migrants: voluntary migrants, and refugees and asylum seekers. We consider voluntary migrants those who moved primarily to pursue economic opportunity, while refugees and asylum seekers are those who were compelled to flee to another country.[4] Refugee flows are part of a broader phenomenon of forced migration, some of which encompasses migrants who may not be legally defined as refugees or asylum seekers but whose moves involved some degree of coercion (as is the case with victims of trafficking, those who moved to escape extreme hunger, or those who are forced to stay in a new country of residence against their will).[5] It must be noted that the distinction between forced and voluntary migration is not always clear and unambiguous. Even so-called "voluntary" migrants may have been at least partially forced to move by difficult economic, social, or physical conditions in their country of origin. Conversely, the

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3 *Saudi Arabia beyond oil: The investment and productivity transformation*, McKinsey Global Institute, December 2015.

4 MGI uses definitions and data from the United Nations High Commissioner for Refugees (UNHCR) to distinguish voluntary migrants from refugees and asylum seekers. The UNHCR defines *asylum seekers* as individuals who have sought international protection and whose claims for refugee status have not yet been determined. The UNHCR defines *refugees* in accordance with the 1951 Convention on the Status of Refugees as "a person who owing to a well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion, is outside the country of his nationality and is unable or, owing to such fear, is unwilling to avail himself of the protection of that country; or who, not having a nationality and being outside the country of his former habitual residence as a result of such events, is unable or, owing to such fear, is unwilling to return to it." This means that the determination of who constitutes a refugee is made on the basis of objective circumstances in the country of origin. The International Organization for Migration (IOM) adopts the same definition of a refugee as the UNHCR, but defines an asylum seeker as "a person who seeks safety from persecution or serious harm in a country other than his or her own and awaits a decision on the application for refugee status under relevant international and national instruments."

5 The data on forced migration in this report pertain only to refugees and asylum seekers as defined by the UNHCR, although MGI acknowledges that refugees and asylum seekers are not the only forced migrants. The decision to grant refugee status is often political, and many people fleeing conflict do not fit the legal definition. The IOM, for example, defines forced migration more broadly as "a migratory movement in which an element of coercion exists, including threats to life and livelihood, whether arising from natural or man-made causes (e.g., movements of refugees and internally displaced persons as well as people displaced by natural or environmental disasters, chemical or nuclear disasters, famine, or development projects)." However, due to data availability, MGI takes global estimates and definitions of refugees and asylum seekers from the UNHCR. Irregular migration is also not addressed in this category, unless already contained within UNHCR estimates.

very act of migration implies some degree of agency and independent action in leaving one's home and moving to a specific destination, even if someone feels forced into it.[6]

Based on UNHCR definitions, the vast majority of the world's migrants—about 222 million, or more than 90 percent—have moved across borders voluntarily.[7] Voluntary flows are typically shaped by the entry policies set by destination countries; they can be adjusted based on quotas, types of visas offered, and the selectivity applied to applications. Voluntary migration flows are usually gradual, placing less stress on logistics and the social fabric of destination countries than forced migration.

Most voluntary migrants are working-age adults, a characteristic that helps to raise the share of the population that is economically active in destination countries. Almost half of them are women. About 60 million worldwide have tertiary education; many of them are working professionals or successful entrepreneurs who move to another country for more than five years. But the biggest group by far, which we estimate at about 160 million people worldwide, comprises low- and medium-skill long-term migrants.[8]

Because forced migrations, and refugee flows in particular, occur in response to humanitarian crises, they are unplanned and result in large spikes within short time periods. They often necessitate enhanced security and border control in addition to other logistical challenges for the destination countries. Refugees and asylum seekers tend to be less heavily skewed toward those of working age than economic migrants, given that people of all ages are often forced to flee in the face of conflict.

24M
refugees and asylum seekers worldwide in 2015

By the end of 2015, there were about 24 million refugees and asylum seekers worldwide, comprising about 21 million refugees and three million asylum seekers. They make up 10 percent of the world's total migrants. Crises in Africa and Asia have created some 80 to 90 percent of the world's refugees and asylum seekers over the past 25 years. Just seven countries have produced two-thirds of the world's cross-border refugees: the State of Palestine (21 percent), Syria (21 percent), Afghanistan (12 percent), Somalia (5 percent), South Sudan (3 percent), Sudan (3 percent), and the Democratic Republic of the Congo (2 percent).

Because refugees tend to flee to neighboring countries, the developed world has historically absorbed a relatively small proportion of them. In fact, the Middle East and North Africa has absorbed roughly half of the world's refugees and asylum seekers, while sub-Saharan Africa has almost a quarter (Exhibit E3).

Forced migration has risen sharply over the past five years. The number of refugees and asylum seekers rose by 2.5 million between 2005 and 2010, then jumped by 8.1 million between 2010 and 2015. Syria's protracted civil war created an exodus that accounted for almost two-thirds of this increase between 2010 and 2015. Violence and conflict have caused millions from Syria, Afghanistan, and Iraq to leave the Middle East altogether. Many have undertaken long and often treacherous journeys to seek asylum in the high-income countries of Europe. Since the start of 2015, roughly two million asylum seekers have arrived in Europe, with five countries receiving approximately 80 percent of their applications. Processing applications has been a daunting task in and of itself, and it is likely that many

6 For a summary of the theoretical literature on this point, see Marie McAuliffe and Dinuk Jayasuriya, "Do asylum seekers and refugees choose destination countries? Evidence from large-scale surveys in Australia, Afghanistan, Bangladesh, Pakistan and Sri Lanka," *International Migration*, IOM, 2016.

7 We estimate the total population of voluntary migrants by subtracting official estimates of refugees and asylum seekers as defined by the UNHCR from global migrant stock numbers, since the two groups are mutually exclusive from a data perspective, even though this distinction is not so clear-cut in reality. See footnotes 4 and 5 for more detailed definitions.

8 In this report, we define "high-skill" migrants as those who have completed tertiary education or above, "medium-skill" migrants as those who have completed some secondary but no tertiary education, and "low-skill" migrants as those who have less than secondary-level education.

people will be awaiting decisions for some time to come. Overall, the situation in Europe has tested the developed world's commitment to global refugees; significant opposition to immigration has set in against a backdrop of slow economic growth. These tensions underscore the fact that processing applications and rehousing refugees are just the first steps in the years-long process of integration.

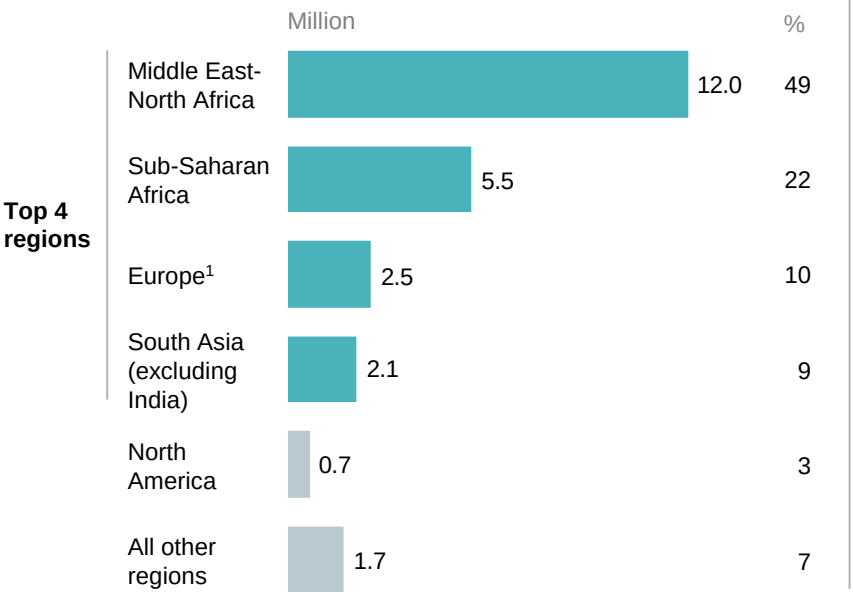
Despite the media emphasis on the situation in Europe, it is important to note that 82 percent of the 5.1 million Syrian refugees are in Turkey, Lebanon, and Jordan. In fact, only some 10 percent of the world's refugees and asylum seekers are in Europe.[9] The total across the entire continent is smaller than the refugee population in either Jordan or Turkey individually. Integration efforts are even more challenging in developing regions that have fewer resources at hand, an issue that merits greater attention.

The arrival of refugees who fled their homes with little or no advance planning poses more complex challenges than the arrival of voluntary migrants. Many refugees arrive with few possessions or resources, and their immediate needs for shelter, medical care, food, and support services are acute. In many cases, huge populations remain stuck in limbo for months on end, with children out of school and adults unable to obtain permanent housing or permission to find work. Sudden spikes of refugee arrivals leave NGOs and destination country governments, especially those in developing regions, scrambling to establish screening processes, medical and educational facilities, and shelter. Beyond their immediate needs, refugees may require longer-term support to cope with losses and trauma.

Exhibit E3

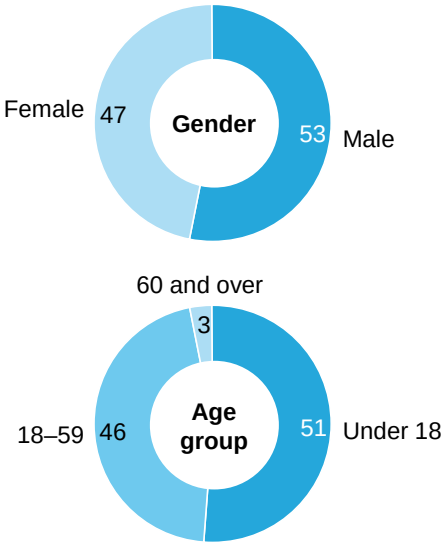
Ninety percent of the world's refugees and asylum seekers are in four regions; just under half are female and half are under the age of 18

Total refugees and asylum seekers by destination region, 2015



Refugees and asylum seekers, by gender and age group

% of total



1 EU-28, including the United Kingdom, plus Switzerland and Norway.

SOURCE: United Nations High Commissioner for Refugees; McKinsey Global Institute analysis

[9] This comprises the 28 countries of the European Union, including the United Kingdom, plus Switzerland and Norway.

$6.7T
Absolute contribution made by migrants to global GDP in 2015

MIGRATION DRIVES GLOBAL PRODUCTIVITY, PARTICULARLY IN THE DEVELOPED ECONOMIES THAT ARE LEADING DESTINATIONS

MGI estimates that in 2015 the world's 247 million cross-border migrants made an absolute contribution to global output of roughly $6.7 trillion. They contributed 9.4 percent of global GDP, despite making up just 3.4 percent of the world's population. This disproportionately high contribution can be largely explained by the fact that almost two-thirds of global migrants reside in the higher-productivity settings of developed economies. In general, migrants of all skill levels generate productivity gains in destination economies, even after taking into account differences between their labor force participation rates, unemployment rates, and productivity levels as measured against those of native-born workers of similar skill levels.

Of course, migrants would have made an economic contribution if they had remained in their countries of origin. But mobility magnified their productivity, creating incremental value. MGI estimates that this incremental contribution by migrants in their new destinations vs. their predicted output in their original home countries was between $2.7 trillion and $3.2 trillion in 2015. This is comparable to the GDP of the entire United Kingdom. In other words, the movement of labor to more productive regions lifted global GDP by some 4 percent over what it would be in a hypothetical world with no migration.

25
destination countries capture
90%
of the economic benefit

A small set of destination countries captured the majority of these benefits

Developed nations, which are home to 65 percent of the worldwide migrant population, realize more than 90 percent of migration's absolute global GDP contribution. MGI estimates that migrants contributed between $5.8 trillion and $6.3 trillion to developed economies in 2015, or about 13 percent of these nations' total GDP (Exhibit E4). In all of the world's developing nations combined, migrants generated roughly $600 billion, or a mere 3 percent of their GDP.

Viewed at the country level, 90 percent of the economic boost generated by migration occurred within just 25 destination countries. MGI estimates that immigrants contributed about $2 trillion to GDP in the United States in 2015, followed by Germany ($550 billion), the United Kingdom ($390 billion), Australia ($330 billion), and Canada ($320 billion).

Migrants originating from developing nations accounted for some $4.1 trillion (or roughly 60 percent) of the overall global impact of migration, and those from developed origins contributed some $2.2 trillion. The top five pairs of origin and destination countries, as measured by economic impact, together account for some $800 billion of GDP impact, or 12 percent of total global output. The United States is the destination country in three of these corridors, realizing the largest gains from workers who arrive from Mexico, India, and the Philippines.

Migrants have positive employment and wage prospects, but an earnings gap persists between migrants and native-born workers

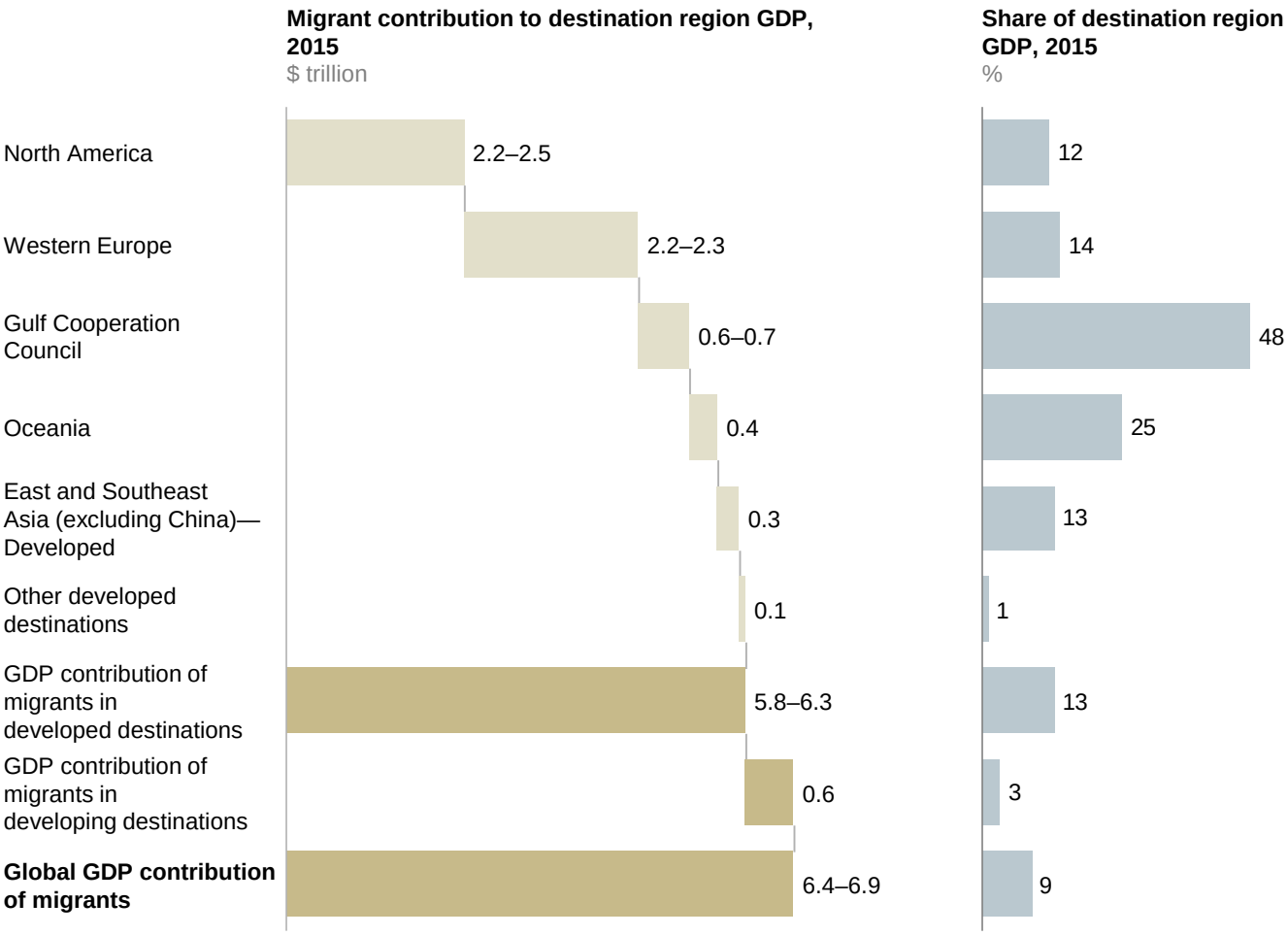
Unemployment rates are slightly higher for immigrants than for their native-born counterparts in most leading destinations, but this varies greatly by skill level and by destination. In general, immigrants may find it harder to secure jobs due to a number of factors, including having to navigate unfamiliar customs or learn a new language. But this effect usually diminishes over time as they adjust to their destinations. In Europe, for example, the aggregate immigrant employment rate over a period of 20 years or more is just two percentage points lower than that of natives.[10] Refugees in particular start out with lower employment rates than other migrants, but they, too, are eventually absorbed into labor markets.

[10] Shekhar Aiyar et al., *Europe's refugee surge: Economic and policy implications*, Voxeu.org, February 29, 2016.

In terms of wages, voluntary migrants, especially those moving from developing to developed nations, typically find opportunities to earn higher wages in their destination countries. However, studies across different countries in Europe and North America over time suggest that migrant workers, on average, earn wages that are 20 to 30 percent lower than those of comparable native-born workers. One review that surveys more than 20 studies shows the migrant-native wage gap persists even within similar education levels or occupations.[11]

Exhibit E4

In 2015 migrants contributed $6.4 trillion to $6.9 trillion, or 9.4 percent, of global GDP



SOURCE: UNDESA; United Nations High Commissioner for Refugees; OECD Database on Immigrants in OECD Countries; World Bank; US Bureau of Labor Statistics; Eurostat; IMF; McKinsey Global Institute analysis

Both high- and low-skill immigrants contribute to productivity and labor force growth in destination countries

Migrants of all skill levels have a positive impact on productivity. In fact, according to MGI estimates, the contribution to global GDP output made by low- and medium-skill migrants together is about the same as that of high-skill migrants.

[11] See Shekhar Aiyar et al., *The refugee surge in Europe: Economic challenges*, IMF staff discussion note number 16/02, January 2016, and Sari Pekkala Kerr and William R. Kerr, *Economic impacts of migration: A survey*, NBER working paper number 16736, January 2011. Estimates were calculated using sample averages reported in the studies. Wage differences are reported as mean or maximum-minimum differences for various immigrant groups. Differences control for the observable characteristics of immigrants in most cases.

In countries around the world, immigrants contribute disproportionately to new business formation, innovation, and job creation. As of 2015, foreign nationals held slightly more than half of all patents filed in the United States.[12] A 2016 study found that more than half of US startups valued at $1 billion or more that have yet to go public—the so-called unicorns with potential for high growth and job creation—have at least one immigrant co-founder.[13]

But most immigrant entrepreneurs actually fall into the low- or medium-skill category, and they start businesses in industries such as retail, construction, and hospitality. In addition, low-skill immigrants make a considerable contribution to productivity worldwide by freeing up native-born workers to take higher-value roles. They often gain a foothold in the destination country's labor market by filling immediate job vacancies that locals do not want. According to US Labor Department statistics, for instance, the work performed by immigrants in the United States scores much higher on physical intensity, while native-born workers are twice as likely to work in office, administrative, and sales jobs than immigrants of similar skill levels. Immigrants who work as nannies and housekeepers free up native-born women from assuming household care work and boost their labor-force participation.

Besides contributing to output today, immigrants provide a needed demographic boost to the current and future labor force in destination countries. Improving the old-age dependency ratio is of critical importance to countries like Germany, Spain, Canada, and the United Kingdom, where most public pensions have a pay-as-you-go structure and worsening dependency ratios threaten to make many plans unsustainable. The presence of both first- and second-generation immigrants can help combat such unfavorable demographic trends, particularly because immigrant groups tend to have higher fertility rates than native-born populations in these countries.

RESEARCH HAS FOUND THAT IMMIGRANTS GENERALLY HAVE A NEGLIGIBLE IMPACT ON THE WAGES AND EMPLOYMENT OF NATIVE-BORN WORKERS

One question surrounding immigration is whether new arrivals increase competition for jobs and negatively affect native employment and wages. But the data do not show this effect occurring on a large scale across economies. In short, immigration does not appear to harm the long-run employment prospects or wages of native-born workers.

The academic evidence on this point is extensive. MGI reviewed more than 40 studies carried out over different time periods, focusing on various destination countries (especially in North America and Europe). This research shows that migration has limited impact on native employment and wages. One landmark study examined the effect of the growth of immigrant labor on native wages and employment in the United States over four decades and found no correlation between the two either in the aggregate or across skill groups.[14]

Yet local economies may need a period of adjustment to absorb large inflows. In such cases, the various factors of production are unable to adjust in the short term to absorb the influx of migrants, especially within a small geographic region. The process is also challenging if the skills of new arrivals make them close substitutes for native workers or if the destination economy is going through a downturn. In such situations, both native and migrant workers will feel an adverse impact on employment and wages. A 2016 study in the United States, for example, notes that any negative impacts primarily affect earlier groups of

[12] US patent statistics chart, calendar years 1963–2015, US Patent and Trademark Office data.

[13] Stuart Anderson, *Immigrants and billion-dollar startups*, National Foundation for American Policy, March 2016.

[14] Gaetano Basso and Giovanni Peri, *The association between immigration and labor market outcomes in the United States*, IZA discussion paper number 9436, October 2015.

immigrants or native-born workers who have not completed high school, as these are often the closest substitutes for low-skill immigrants.[15]

DESTINATION ECONOMIES BEAR SOME COSTS, BUT IMMIGRATION TYPICALLY HAS A NEUTRAL OR SMALL POSITIVE FISCAL IMPACT

Migration is not without its costs. Short-term costs to maintain border control and process the documents of entering migrants have been typically less than 0.2 percent of GDP across major destination countries. But the short-term costs can escalate for countries admitting a large wave of refugees. A recent IMF study examined this issue in countries across Europe coping with the current flood of Syrian refugees.[16] While the average across Europe is estimated to be approximately 0.2 percent of GDP annually, the study found the biggest fiscal burdens in Sweden, where costs are estimated to rise from 0.3 percent of GDP in 2014 to 1.0 percent in 2016, compared with its current fiscal deficit of 0.4 percent of GDP.

Over the longer term, there are also costs associated with providing some of the services that new arrivals need to integrate into unfamiliar communities. In North America and in Western Europe, we find that government expenditure on providing services to immigrant households has been lower overall, on a per household basis, than that of providing such services to native-born households. However, if pensions are excluded, governments in North America and Western Europe spend more on immigrant households than native-born households on a per household basis.

There are different methods for calculating the overall net fiscal impact of immigrants, and the impact may be positive or negative in a given country. But it rarely exceeds 0.5 percent of GDP in either direction. In fact, it was found to be around zero on average in OECD destinations between 2005 and 2009.[17] Even low-skill and undocumented immigrants can make a net positive fiscal contribution. The US Social Security Administration estimated that in 2010, earnings by unauthorized immigrants had a net positive impact on the program's cash flow of roughly $12 billion.[18]

ORIGIN COUNTRIES BENEFIT MAINLY THROUGH REMITTANCES, BUT SOME SUFFER NEGATIVE CONSEQUENCES FROM THE LOSS OF HUMAN CAPITAL

$580B
global remittances in 2014

The substantial economic benefits captured by destination countries do not come completely at the expense of countries of origin. Many migrants go abroad to find higher-paying work with the explicit intention of supporting the families they leave behind—and these financial flows are often significant. Remittances are a rapidly growing cross-border capital flow, totaling $580 billion in 2014 (roughly 8.7 percent of the output generated by migrants). In 2014, the largest inflows went to India ($70 billion), China ($62 billion), and the Philippines ($28 billion).

Despite the positive impact of remittances, migration does have some negative effects on origin countries. While developing countries receive $370 billion in remittances from migrants in developed nations, this sum is roughly 50 percent lower than what migrants from these developing countries would have generated if they had not moved. In a few select countries, the labor force has shrunk enough to adversely affect the economy. For example, even with positive natural population growth, the populations of Georgia and Armenia have contracted by 15 and 27 percent, respectively, over the past 25 years as emigrants have left.

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15 Francine Blau and Christopher Mackie, eds., *The economic and fiscal consequences of immigration*, Committee on National Statistics, Division of Behavioral and Social Sciences and Education, National Academies of Sciences, Engineering, and Medicine, September 2016

16 Shekhar Aiyar et al., *The refugee surge in Europe: Economic challenges*, IMF staff discussion note number 16/02, January 2016.

17 "The fiscal impact of immigration in OECD countries," in *International migration outlook 2013*, OECD, June 2013.

18 Stephen Goss et al., "Effects of unauthorized immigration on the actuarial status of the Social Security Trust Funds," Social Security Administration, Office of the Chief Actuary, actuarial note number 151, April 2013.

Furthermore, the top students and the most highly educated and skilled professionals in developing nations have much to gain by pursuing opportunities in higher-income countries. As the best and brightest leave, the phenomenon known as "brain drain" occurs in their wake. One study found that dozens of poor countries—mostly small countries in sub-Saharan Africa, developing Asia, and the tropics—were losing one-third to half of their college graduates.[19] The loss of professionals in key roles, such as doctors, can cause major gaps.

While the loss of high-skill talent might be problematic, there are some mitigating considerations. Some emigrants would have faced unemployment if they stayed in their origin countries, where there are not enough high-quality jobs. The prospects of higher pay beyond what is possible domestically incentivizes even the poor to invest in their education, leading to higher skill levels overall. And when emigrants return, they bring back skills, networks, and knowledge. Even those who do not return may boost investment in their home country.

MORE EFFECTIVE INTEGRATION APPROACHES COULD LAY THE GROUNDWORK FOR ECONOMIC GAINS OF UP TO $1 TRILLION GLOBALLY

In many countries, immigration policy focuses heavily on who gets to enter but puts surprisingly little emphasis on creating a pathway for new arrivals to become more fully integrated into their new homeland—not just into the labor market but also into the fabric of society.

Many developed economies set their entry policies by trying to strike a balance between economic needs (through skills-based or labor-driven admissions) and other priorities such as family reunification and humanitarian commitments. To that end, some set overall quotas or rely on points-based systems to determine which applications for entry should be prioritized.

Although points-based systems are often touted as the most effective approach, they do not always produce a perfect result in the labor market. Even highly skilled immigrants admitted under these criteria experience higher unemployment than comparable native-born workers, due to barriers such as inefficient matching, their lack of local networks, and a tendency among local employers not to recognize foreign credentials. In short, no entry management policy approach has proven universally effective at solving for all complexities.

Focusing on integration over the longer term is often overlooked but is a critical complement to entry policy. Regardless of the volume or mix of arrivals that destination countries admit, the integration process can be handled well, handled badly, or ignored.

Any group that is disadvantaged in education, housing, health care, and social and civic life will also find itself disadvantaged in the labor market—and these issues frequently intersect in immigrant communities. Even policies that ensure equal access to social benefits are not enough if most households are not aware of the services that are available to them or lack the language fluency to navigate them. Successful integration needs to address all of these issues holistically; a narrow focus on employment alone is not enough.

[19] Frédéric Docquier, "The brain drain from developing countries," *IZA World of Labor*, May 2014.

UP TO $1 T
additional annual output possible through better integration

Ensuring that immigrants have access to the full range of services they need, defusing mistrust, and building an inclusive community can have a tangible effect on economic outcomes. In addition to employment outcomes, this involves focusing on areas such as education, housing, health, and community engagement. MGI considers a scenario in which the right interventions narrow the wage gap between immigrants and native-born workers from 20–30 percent to 5–10 percent. This outcome would generate an additional $800 billion to $1 trillion in annual economic output worldwide. It would also lead to broader positive societal effects, including lower poverty rates and higher productivity for destinations overall.

NO COUNTRY IS SUCCESSFUL ACROSS ALL OR MOST DIMENSIONS OF INTEGRATION

We look at how integration is playing out in top destination countries through three lenses: economic, social, and civic. These dimensions are closely intertwined and mutually reinforcing. While many studies have highlighted the importance of individual issues such as housing or health care, we believe that all of these aspects need to be addressed simultaneously. Ignoring gaps in any one of these areas could reduce the likelihood of successful integration.

Within each of these areas, we look at multiple indicators to gain a more complete picture of how immigrants are faring, both in absolute terms and relative to native-born populations.[20] To examine economic integration, we look at employment and labor force participation rates as well as broader measures of economic well-being such as relative income levels and poverty rates. Social integration encompasses educational attainment, the quality of housing and opportunities for homeownership, access to health care, and markers of social cohesion, including freedom from racial, ethnic, and religious discrimination. Immigrant communities also eventually need civic engagement and a political voice in order to thrive. We measure progress toward this goal by looking at markers such as naturalization rates, voter participation rates, and immigrants' share of employment in public services. Naturalization rates in particular are a tangible marker of integration into a new country.

We apply this framework to 18 major destination countries. Perhaps surprisingly, our analysis suggests that no country has achieved strong integration outcomes across all dimensions, though some countries have better results than others (Exhibit E5). The findings show that immigrants have better relative employment rates in North America and Oceania than in Western Europe. However, better employment rates do not automatically translate into economic well-being. Across all top destinations, immigrants have poorer indicators for economic well-being than native-born citizens, driven by lower relative wages and less access to welfare programs. Immigrants around the world also have difficulty obtaining quality housing and health care, and their children face significant educational attainment gaps. In addition, a significant share of native-born citizens in many destination countries perceive that immigrants are harming their economic prospects.[21] These attitudes form a backdrop against which many immigrants report experiencing discrimination and mistrust, which can sometimes manifest as economic and social barriers.

[20] Many of these indicators draw on *Indicators of immigrant integration 2015: Settling in*, OECD, July 2015.

[21] In a Gallup poll conducted across 142 countries between 2012 and 2014, 29 percent of respondents reported that they believe immigrants take jobs that citizens want in their country.

Exhibit E5

No destination country performs well across all dimensions of integration

Integration dimension	Sub-dimension	Indicator of level of integration, expressed as a value for migrants vis-à-vis natives[1]	United States	Germany	United Kingdom	Canada	France	Australia	Spain	Italy	Switzerland
Economic	Labor market outcomes	Labor force participation rate (% of working-age population)[2]	2.2	-5.5	-3.8	-2.7	-3.4	-3.5	5.7	7.0	-1.5
		Unemployment rate (% of labor force), overall[2]	-0.5	3.6	1.4	1.5	6.9	0.2	11.6	4.3	4.3
		Unemployment rate, low skill[2]	-11.7	0.1	0.7	-3.0	4.1	-0.5	8.5	2.5	4.3
		Unemployment rate, high skill[2]	1.0	4.0	2.6	3.2	6.0	1.5	10.6	5.3	3.5
		Share of low-skill workers on temporary contracts (%)[2]	n/a	-3.7	1.1	-13.3	1.3	n/a	9.2	-1.2	-3.5
		Overqualification rate (%)[2,3,4]	1.1	15.7	2.1	3.1	5.2	3.2	14.3	34.2	-0.4
		Share of 25- to 64-year-olds who report unmet training needs (%)[5]	0.5	-1.9	8.5	4.9	-0.6	3.1	4.6	4.4	n/a
		Share of employed workers who report their training was useful (%)[5]	42.1	24.9	48.7	36.7	23.5	44.3	8.8	n/a	n/a
	Economic well-being	Average household income of lowest-income decile of population (% difference)[5]	-23.1	-7.4	-24.3	-20.8	-25.6	-24.6	-55.7	-27.1	-17.4
		Median household income (% difference)[5]	-27.0	-12.8	-15.8	-16.3	-24.4	-15.3	-31.6	-27.9	-14.3
		Poverty rate for low-educated in-work population (%)[5]	7.6	2.1	n/a	5.2	16.9	6.5	14.2	15.9	12.6
Social	Education	Literacy score for foreign-born vs. native children (points)[4,6]	-31.0	-36.3	-31.0	-24.5	-32.0	-19.0	-26.2	-29.8	n/a
		Literacy score for 2nd-generation migrant vs. native children (points)[5,6]	n/a	-20.2	-14.1	2.5	-12.6	-1.8	n/a	n/a	n/a
	Housing	Homeownership rate (% of households)[5]	-17.5	-7.4	-25.4	-3.6	-16.9	-7.4	-49.8	-51.7	-25.8
		Share of people in overcrowded dwellings (%)[5]	18.5	6.6	8.8	4.2	8.9	n/a	5.8	28.5	7.8
		Housing cost overburden rate (% of households)[5,7]	5.0	1.5	6.7	3.4	6.4	3.3	15.2	11.9	2.0
	Health care	Self-reported share of population with unmet medical needs (%)[5]	0.5	-0.8	0.0	-0.7	1.1	n/a	-0.6	2.6	1.6
	Social cohesion	Share of migrants who feel discriminated against, 2002–12 (%)	13.5	12.8	13.0	15.7	17.5	16.9	16.7	n/a	8.5
		Share of natives who perceive migrants' economic impact as bad, 2008–12 (%)	n/a	19.5	32.4	n/a	23.4	n/a	23.0	n/a	10.7
Civic	Civic engagement	Voter participation rate, 2002–12 (%)[4]	-7.4	-11.4	3.9	n/a	n/a	n/a	-8.1	n/a	n/a
		Naturalization rate for migrants with low education level, from origins with low income level (%)[2]	73.5	n/a	97.9	91.8	56.9	93.7	26.8	44.2	33.3
		Naturalization rate for migrants with low education level, from origins with high income level (%)[2]	73.8	n/a	45.2	89.0	42.9	83.2	43.6	88.4	29.4
	Political representation	Share of employed population in public services (%)[2]	-7.7	-10.1	3.8	-3.7	-7.2	0.6	-16.2	-17.4	-7.1

1 Indicators are vis-à-vis natives, except "Share of migrants who feel discriminated against," "Share of natives who perceive migrants' economic impact as bad," "Migrant naturalization rate for migrants with low education level, and from origins with a low income level," and "Migrant naturalization rate for migrants with low education level, and from origins with a low income level."
2 Indicator is from 2012–13.
3 Share of people with tertiary-level qualifications who work in a job that is classified as low- or medium-skill by the International Standard Classification of Occupations.
4 Metric is based on the foreign-born population that has been in the destination country for at least ten years.
5 Indicator is from 2012.
6 Based on OECD Survey of Adult Skills (PIAAC).
7 Housing cost overburden rate is the percentage of households that spend more than 40% of their disposable income on housing.

SOURCE: *Indicators of immigrant integration 2015: Settling in*, OECD, July 2015; McKinsey Global Institute analysis

Exhibit E5

No destination country performs well across all dimensions of integration (continued)

Integration dimension	Sub-dimension	Indicator of level of integration, expressed as a value for migrants vis-à-vis natives[1]	Netherlands	Sweden	Austria	Belgium	Greece	New Zealand	Norway	Denmark	Finland
Economic	Labor market outcomes	Labor force participation rate (% of working-age population)[2]	-9.7	-6.7	-3.7	-5.0	9.1	-0.6	-3.4	-7.3	-0.9
		Unemployment rate (% of labor force), overall[2]	6.3	9.7	5.0	10.7	10.9	0.2	5.2	6.8	6.8
		Unemployment rate, low skill[2]	6.4	11.8	5.0	11.8	9.9	-1.2	7.1	9.2	2.2
		Unemployment rate, high skill[2]	4.9	8.5	4.0	7.5	11.6	0.5	4.4	5.0	7.6
		Share of low-skill workers on temporary contracts (%)[2]	2.1	0.6	-1.6	2.6	4.1	-3.6	-1.5	1.2	1.8
		Overqualification rate (%)[2,3,4]	6.7	13.4	9.3	9.9	32.3	-4.2	12.5	15.7	8.2
		Share of 25- to 64-year-olds who report unmet training needs (%)[5]	-2.5	3.2	2.1	n/a	n/a	n/a	8.8	2.2	n/a
		Share of employed workers who report their training was useful (%)[5]	26.7	17.3	21.2	n/a	n/a	n/a	37.5	60.5	n/a
	Economic well-being	Average household income of lowest-income decile of population (% difference)[5]	-24.7	-23.9	-32.3	-29.7	-42.0	-5.8	-20.7	-51.2	-22.0
		Median household income (% difference)[5]	-24.6	-17.1	-23.7	-34.2	-38.7	-14.8	-21.7	-22.2	-32.2
		Poverty rate for low-educated in-work population (%)[5]	3.4	8.2	9.8	23.2	10.8	12.6	9.1	n/a	n/a
Social	Education	Literacy score for foreign-born vs. native children (points)[4,6]	-42.7	-60.4	-31.1	-39.1	n/a	n/a	-50.9	-41.7	n/a
		Literacy score for 2nd-generation migrant vs. native children (points)[5,6]	n/a	n/a	-25.1	n/a	n/a	n/a	n/a	n/a	n/a
	Housing	Homeownership rate (% of households)[5]	-28.9	-16.0	-31.9	-33.7	-46.1	-14.6	-22.0	-23.8	-44.5
		Share of people in overcrowded dwellings (%)[5]	0.3	9.4	22.9	3.7	30.4	7.8	14.6	11.5	5.9
		Housing cost overburden rate (% of households)[5,7]	10.1	-0.7	4.8	10.5	5.8	10.2	4.5	8.2	7.0
	Health care	Self-reported share of population with unmet medical needs (%)[5]	-0.8	3.8	0.8	2.1	2.1	n/a	0.3	-0.2	5.3
	Social cohesion	Share of migrants who feel discriminated against, 2002–12 (%)	18.7	11.3	22.5	10.8	27.8	9.4	8.4	14.0	10.7
		Share of natives who perceive migrants' economic impact as bad, 2008–12 (%)	18.0	15.4	n/a	29.1	54.3	n/a	13.0	21.4	16.9
Civic	Civic engagement	Voter participation rate, 2002–12 (%)[4]	-11.1	-9.4	n/a	-4.5	-7.6	n/a	n/a	n/a	n/a
		Naturalization rate for migrants with low education level, from origins with low income level (%)[2]	36.4	91.0	46.7	77.7	13.5	n/a	14.1	47.6	51.4
		Naturalization rate for migrants with low education level, from origins with high income level (%)[2]	58.6	64.3	71.0	38.6	63.2	n/a	55.3	47.6	65.9
	Political representation	Share of employed population in public services (%)[2]	-3.9	5.0	-9.2	-8.0	-28.6	2.8	n/a	2.1	-1.7

Criteria used for heat map
Approach to setting boundary conditions

Migrant outcomes (% of native outcomes)
≥95% 80–95% <80%

Migrant or native only (% of average)
≥125% 75–125% <75%

While we examine economic, social, and civic outcomes at a national level, it is important to note that subnational variations can be substantial. Ultimately, it will take local initiatives to drive change. Many municipalities are, in fact, taking the lead in devising creative approaches, as we will discuss below.

Unemployment is a particularly interesting lens through which to consider how migrants are faring across destinations. We find that even within a given destination country, economic integration outcomes can vary for immigrants from different countries of origin. Emigrants from India, China, and Western Europe, for example, often have more success, while those from the Middle East and North Africa and those from sub-Saharan Africa face greater challenges in securing jobs. Multiple factors could be in play, including similarities (and dissimilarities) in culture and language between immigrants and natives. The presence of local networks of fellow citizens offering support to new arrivals from their homeland could also make a difference. Finally, differences in educational quality in various regions of origin could play a role in explaining this phenomenon.

To provide some quantitative examples, the average unemployment rate for immigrants in Western Europe from developing countries in Latin America and sub-Saharan Africa from 2000 to 2010 was nine to ten percentage points higher than for natives, whereas those from Oceania and North America actually had an unemployment rate that was two to four percentage points lower than for natives. At a country level, immigrants from Nigeria in the United Kingdom had an unemployment rate of 14.8 percent in 2010, more than double the unemployment rate of 7.3 percent for natives. This suggests that cultural and racial differences can translate into economic inequity, reducing immigrants' potential contribution to national economies and to the global economy.

A WIDE MENU OF PROMISING INTERVENTIONS CAN SUPPORT INTEGRATION

With no country having fully cracked the code on integration, we reviewed more than 180 examples of initiatives around the world to understand the variety of approaches being taken. Some are driven by a national, regional, or local government; others are run by private-sector actors or NGOs. From these case studies, a number of guiding principles emerge that other locations can use to shape their own efforts. While we do not have enough evidence or data to quantify their impact, the interventions and ideas presented below are intended to serve as food for thought.

Change the narrative by thinking of immigration as an opportunity to gain long-term dividends despite short-term challenges

The presence of migrants—and of refugees in particular—has often been referred to as a burden or a responsibility for destination countries. But it is important to shift the narrative in a new direction: toward accepting migration as a given in a globalized world and focusing on how improved integration can yield bigger dividends.

In the United States, the Partnership for a New American Economy has published numerous studies on key immigration issues to support its goal of making the economic case for immigration and proposing ways to modernize and improve integration. In addition, it has brought together more than 500 Republican, Democratic, and independent mayors and business leaders to advocate for change at the national policy level. By collecting evidence on the potential upside of migration, the organization aims to shift the discussion around immigration toward how to maximize its benefits.

Recognize that integration is a two-way process involving both immigrants and local communities

Integration involves allaying the fears of local communities, fostering a welcoming attitude, and making a new place feel more like home for immigrants. But for their part, immigrants need to actively seek to fit in, whether that means acquiring language skills or being sensitive to local mores. Viewing integration as a two-way process of mutual understanding between native citizens and immigrants can open up a variety of creative approaches.

Stuttgart, Germany, stands out as one of the most notable examples. The city's Pact for Integration is designed to create a community that accepts and respects the identities and histories of all its constituents. It began with a framework for building cultural understanding and flexibility in multiple ways, including multilingual education and media (such as community newspapers that connect immigrants with local news and events). A team of trained mediators was placed on call to intervene in cases of cultural conflict. Stuttgart also gave immigrants a political and civic voice by creating an "international committee," a local consultative body made up partly of elected immigrants. The city government has even lobbied for the right of all non-Germans to participate in local elections. Unsurprisingly, Stuttgart boasts the lowest immigrant unemployment rates of any city in Germany.

Empower and equip local innovators and agencies to implement integration initiatives that fit the needs of their communities

The success or failure of integration ultimately happens at the community level, which argues for empowering local leaders to design and implement programs. City leaders are uniquely positioned to mobilize local groups and community organizations around a strategy; they understand the needs on the ground and can quickly see what works. It is not surprising that some cities and towns have been pioneers in creating effective programs for their immigrant communities, even in the absence of national guidelines.

In the United States, the "Welcome Dayton" initiative in Ohio is one such local attempt at migrant integration. It aims to facilitate interaction and dialogue between immigrants and natives across all skill levels in different areas of local life. It encompasses programs across business and economic development (such as helping immigrants start businesses) as well as government and the justice system. It also addresses issues in social and health services to ensure more effective delivery to immigrants and attempts to build cultural bridges through music and theater programs for both natives and immigrants.

Having a single point of contact locally can also improve migrants' ability to find the help they need in an unfamiliar place. New York pioneered the first city government office in the United States dedicated to immigrant integration. The Mayor's Office of Immigrant Affairs helps immigrants obtain municipal ID cards and connects them with health-care and legal services, English language instruction, financial literacy and college readiness programs, and entrepreneurial support. The office has become a model and a resource for local governments in other cities across the United States and around the world.

Language is a crucial component of the local integration process. Some schools across the United States have introduced dual language instruction, combining English language learners in the same classroom with English-speaking students. Language instruction can also be part of a broader goal of community building at the city level. Dublin's local library service established a Conversation Exchange Programme and built up the selection of foreign-language books available across its more than 30 libraries. In some cases, private-sector companies are the providers. In 2007, McDonald's established a program called "English Under the Arches" to teach English as a second language to employees around the United States to help them in their career progression.

Start integration interventions early, and sustain momentum over the longer term

The longer it takes to migrants to integrate into destination countries, the worse the odds grow for successful outcomes. Refugees in particular may be stuck in limbo for months during the asylum request process, with adults unable to work and children out of school. To avoid this, some cities have started to streamline their administrative processes for asylum requests by simplifying and digitizing documentation as well as pursuing steps with multiple agencies in parallel. In some destinations, integration efforts begin upon arrival, even if a migrant's legal status is still being decided. This may include language instruction, qualification assessment and skills training, job applications, and access to essential services such as health care or banking.

The city government of Hamburg, Germany, for example, has tried to accelerate the process of connecting asylum seekers with training programs or jobs. It also provides training and counseling based on their previous experience, places them into internships, and introduces them to a broad range of corporations to build their professional network.

Furthermore, while integration is often thought of as a process that begins when migrants arrive, some innovative interventions aim to create a head start by offering education and orientation even before the journey begins. The Canadian Immigrant Integration Program is an example of this kind of pre-arrival onboarding. It provides prospective migrants with a resource network to connect with employers and attend live online mentoring sessions. Its group orientation workshops inform migrants about job prospects, job readiness, job searches, and the current Canadian economic climate.

Sustaining the early momentum is also crucial. In Australia, one NGO realized that most programs end five years after entry even though many refugees could benefit from more extended support. Active Refugee and Migrant Integration in Australia collaborates with religious groups, women's associations, youth groups, and senior groups to fill that gap, offering legal aid, citizenship courses, skills training, social events, psychological counseling, housing, parenting support, health, and education over the longer term.

Work with multiple stakeholders by forming partnerships and coalitions

Governments are not the only actors that can make a difference to the immigrant experience—coalitions between organizations can be equally important. The XEIX project in Barcelona, for example, was started by a retail merchants association as an attempt to bring together shopkeepers of diverse backgrounds to foster local development and address the xenophobia that arose after an influx of Chinese entrepreneurs. The organization collaborated with local Chinese entrepreneurs to break down barriers of language and distrust, using strategies such as Chinese after-school classes, an intercultural poetry exchange, and anti-rumor campaigns. To implement many of their ideas, project leaders partnered with 21 local immigrant organizations, private-sector companies, and local government.

Education-based organizations have also found innovative ways to help refugees gain language fluency and other skills, as well as recognizable credentials. Coursera, the largest open online education provider, has partnered with the US Department of State to create Coursera for Refugees.

Embed integration priorities into the urban planning process

The challenges facing immigrants are often overlooked in the urban planning process. One particular issue is the lack of affordable housing, which can lead immigrant groups to cluster into isolated communities. Neighborhoods with strong ethnic identities can be a positive thing, offering a place for new immigrants to find support, but if they have suboptimal housing options, they may develop all the problems associated with a high concentration of poverty. Amsterdam has tried to address this issue by building housing developments designed for cross-cultural social interaction. In general, about 40 percent of space is dedicated to social spaces and 60 percent for privately rented apartments. Amsterdam is also investing heavily in parks, sports facilities, and social spaces, particularly in districts that historically have suffered from segregation and have large foreign-born populations.

Push for better and more granular data collection to tailor and improve integration initiatives

A lack of detailed or up-to-date data analyzing what happens at each stage of the immigrant experience limits the ability of policy makers and stakeholders to know what interventions are most effective. Given the outsized importance of cities when it comes to migration, the availability of more local data could play a huge role in ensuring future integration success. Organizations such as Development Initiatives and 100 Resilient Cities, an initiative of the Rockefeller Foundation, are helping to galvanize these efforts.

Celebrate, share, and replicate successes

Integration is a long-term, complex process that takes a significant investment of time and capital from a variety of stakeholders. Organizations and communities should celebrate the successes they achieve along the way to reinforce what is at stake and to inspire other communities. Sharing innovative and effective approaches is important not only for municipalities and local organizations that are running programs on the ground but also for national governments and for national and global NGOs. Organizations such as Cities of Migration, the European Commission, the International Organization for Migration, the Global Parliament of Mayors, and multiple UN agencies facilitate the sharing of evidence and success stories.

IMPLICATIONS FOR THE PRIVATE SECTOR

Addressing the challenges that are part of the immigrant experience is often regarded as a government or social-sector undertaking. But private-sector companies are beginning to engage with the issue. Their involvement goes beyond corporate social responsibility efforts and includes business activities. Some get involved because they see real benefits in building more prosperous local communities, tapping into a new pool of potential employees, or winning loyalty from a new customer segment. Companies in many industries now look to immigrants to handle labor-intensive jobs, while others want to be able to hire highly educated candidates with specialized skills from anywhere in the world.

Integrating migrants into local labor markets ultimately comes down to the needs of domestic industries and individual companies. A concerted effort by the private sector to forecast labor needs and identify skill gaps can help governments create entry policies that are more purposeful about the mix and number of immigrants who are admitted; some may go even further and establish bilateral arrangements with origin countries. In the United States, the example of technology companies using H-1B visas to bring in highly sought-after engineering, programming, and technical talent is well known. In Canada, a 2010 parliamentary committee report brought together input from various industry associations and stakeholders, projecting the skill shortages that the country would likely face through 2020.

Aside from their hiring needs, private-sector companies can think about immigrants as a market segment. Some have developed innovative products and services to profit while aiming to achieve social impact. One major area is the development of platforms that help migrants send remittances to family members back home. New entrants into the market have significantly lowered transaction costs, reducing the once-hefty fees associated with these transactions. Abra, for example, offers financial transfers from person to person through a mobile app, does not require a bank account, and imposes no fees.

The private sector can also apply business capabilities to help in responding to crises. The current Syrian refugee crisis has inspired Ikea, Uniqlo, Fujifilm, and other companies to support the UNHCR's efforts through donations of shelter, clothing, and eyeglasses. While a multitude of companies have made financial donations, others are drawing on their business expertise and what they do best. UPS, using its package-tracking technology, has partnered with the UNHCR to track the shipment and delivery of goods and supplies to refugees globally. Bayern Munich is creating a training camp for teenage refugees that will teach football skills and is donating sports equipment to participants. Chobani's CEO established the Tent Foundation to encourage the private sector to bring its entrepreneurial power to bear to aid refugees around the world.

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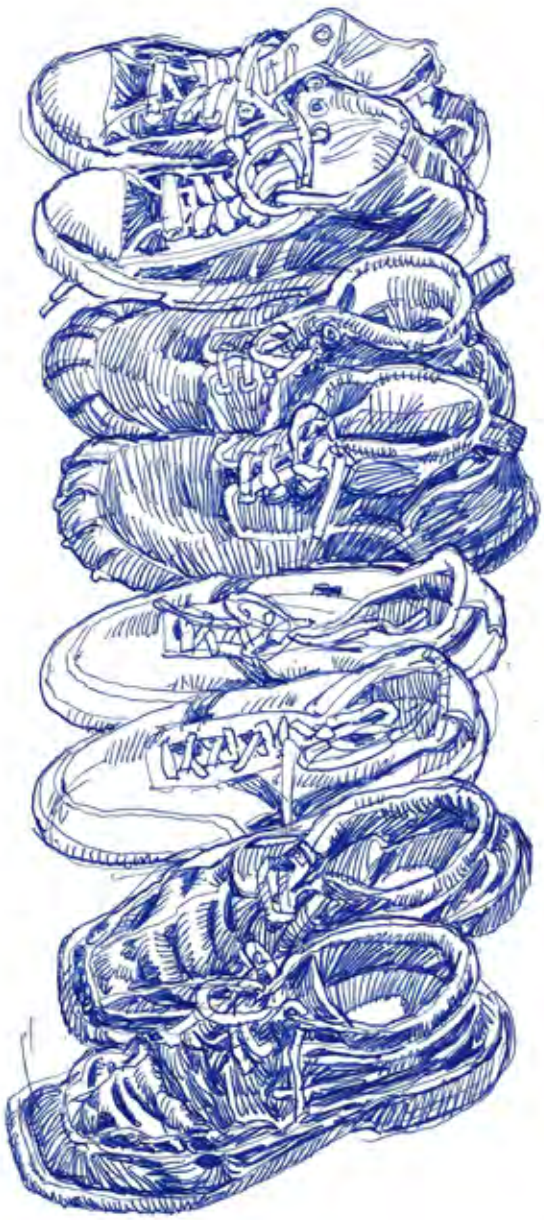
The success or failure of integration efforts can reverberate for many years. In addition to shaping the quality of life for today's immigrant communities, they may influence whether second-generation immigrants become fully participating citizens or remain stuck in a poverty trap. The economic and humanitarian stakes associated with getting this right or getting it wrong are high. The countries that make integration a priority will be better positioned to generate better outcomes—not just for immigrant populations but also for their own economies.

I AM A MIGRANT: PORTRAITS



Global migration is a phenomenon that encompasses millions of individual stories. To capture this complexity and diversity, MGI commissioned a series of portraits reflecting the migrant experience.

Created by McKinsey & Company data visualization senior editor and artist Richard Johnson, these portraits are based on a series of interviews conducted in November 2016 with migrants from Albania, Belgium, Bosnia, Burkina Faso, Cameroon, Eritrea, Ethiopia, India, Iraq, Lebanon, Libya, Morocco, Nigeria, Palestine, South Sudan, Syria, and Ukraine. The subjects shared the personal stories of journeys that have taken them to distant destinations such as Canada, Italy, and Germany.

MGI is grateful to the International Organization for Migration for its support in obtaining these portraits and to all of the individuals who gave us their time and allowed us to capture their testimony.

The following pages contain a small selection of these individual portraits. We invite you to view the full collection in our online gallery at **www.mckinsey.com/mgi** and to follow us on Twitter using the hashtag #MGIMigration. Many more personal stories can be found at the IOM's i am a migrant platform, at **http://iamamigrant.org**, which is part of the United Nations' Together campaign (**http://refugeesmigrants.un.org/together**).

The views expressed in these artworks are those of the individuals interviewed and not necessarily those of the McKinsey Global Institute, McKinsey & Company, the International Organization for Migration, or the United Nations.

MCKINSEY GLOBAL INSTITUTE | CELEBRATING 25 YEARS OF INSIGHT

i am a migrant

TOGETHER
RESPECT, SAFETY AND DIGNITY FOR ALL

65 YEARS
International Organization for Migration
The UN Migration Agency

MOHAMMED SARBAST ZANGANA

IRAQ to GERMANY

In 2013 I was living in Kirkuk working for a car security company. At checkpoints we would check to see if a car was stolen; sometimes we would catch one. Once we stopped a vehicle that was a car bomb—that was great.

ONE DAY, TWO MEN CAME ALONG IN A CAR THAT TRIGGERED A RED WARNING. I STOPPED THE CAR AND CALLED THE POLICE. THE MEN THREATENED ME. THEIR PAPERS WERE FORGED. THE POLICE CAME. LATER I GOT A TEXT MESSAGE... THAT I SHALL DIE.

I was living with my mom and dad, and my younger brothers. It was my parents' idea that I should go. I flew to Istanbul. A family friend met me there. I stayed three months in his house, then I decided to return for a visit to see my family. They were happy, so happy. I decided to stay. My parents said I could go to Irbil, to my grandmother's house.

One night, as I put my key in the door, I noticed three men in a car looking at me. I ran. I think it was a kidnapping, and they maybe didn't want to kill me—because my family has money. But now I know that I'm not safe anywhere in Iraq.

I returned to Turkey in 2015. I paid $2,500 to a smuggler to get to Greece. I bought a life vest for €60, and wrapped all my papers and clothes in plastic. We left at midnight. There were 70 of us. The boat was tiny. It only took a few hours but the waves were high and coming up on my face; they were salty. I am surprised I survived, and thankful.

The smuggler wouldn't go to shore. He forced us over the side. It was deep. There were four babies on board, and kids. I took my bag and one of the babies and swam. On shore we were freezing. A police car came and they let the children in the car to warm up.

After two days in a horrible camp, I started my journey to Germany. I went by car, bus, train, on foot. In Austria I bought train tickets to Berlin. Police stopped me on the train. I had my fingerprints taken. They gave me asylum and a temporary passport.

I'm staying in a refugee camp in Berlin. It is crowded and hard to sleep. Most Germans accept refugees. But, some people will get scared, because you come from an unsafe country. I get scared too.

I HAVE CHANGED. IN IRAQ, I THINK SOMETIMES A NEIGHBOR WOULD SAY "HELLO," AND I MAYBE DIDN'T SAY "HI." NOW, I WOULD SAY "HELLO." I SEE HOW THE GERMANS ARE SO HELPFUL. I WAS YOUNGER; NOW I AM OLDER. I SEE PEOPLE ARE ALL THE SAME. NOW I UNDERSTAND.

IT IS STUPID TO BE RACIST.

i am a migrant

TINA NUR

ERITREA to ITALY

I am from Eritrea. I have five sisters and one brother there; I am the eldest. I am not happy that I have left my family.

I studied until the 11th grade, after which it was time for military service. If I didn't leave, I would have to be a soldier, all my life. I fled to Sudan twice to avoid military service. They caught me and sent me to prison both times. Finally, I left Eritrea and made it to Sudan.

In Sudan it was too hard to find work, so after six months I moved to Egypt. I only stayed for two months. It was not safe for me to be one girl on my own. I lived with friends I had met in Sudan. When they decided to go to Italy I went too.

WE STAYED IN ISKANDARIYAH FOR A WEEK WAITING FOR SMUGGLERS BOATS. I DIDN'T EXPECT IT TO BE SO DANGEROUS. OUR BOAT WAS SO SMALL, BUT THEY TOOK 450 PEOPLE. MANY GIRLS AND BOYS AND CHILDREN. THEY TOOK EVERYTHING FROM US: OUR MONEY, RINGS, OUR PHONES, EVEN CLOTHES; THEY HAD KNIVES. THE TRIP TOOK 14 DAYS, FOUR OF WHICH WITH NO FOOD OR WATER.

An Italian boat found us, and took us to Sicily. We spent a month in the camps before I was moved to this center.

I have talked to my mother: she said this is my best chance; she said I have to do it legally now. My mother knows she is lucky I did not die at sea.

I have seen many things—many bad things—that can happen if you flee your country. If I got the chance, I would bring my sisters and my brothers directly.

THE ITALIAN GOVERNMENT HAS TREATED ME WELL; THEY ARE KIND AND FAIR; THEY ARE TEACHING ME ITALIAN. I THINK IT IS BETTER IF I LEARN NO MATTER WHERE I END UP. I WANT TO START TO GET QUALIFICATIONS TO HELP ME GET A JOB.

I want to stay.

i am a migrant

CLEOPHAS DIOMA

BURKINA FASO to ITALY

I have been in Italy for 18 years now. I left Burkina Faso mostly for economic reasons. Many of us back home think that it's much easier to study and make money in Europe.

I went to France first with a tourist visa; then in 1998 I came to Italy. Italy was not part of my original plan at all but I happened to stay here.

FOR A LONG TIME, I WORKED IN THE SOUTH. I WORKED IN TOMATO FIELDS IN FOGGIA AND THEN ORANGE FIELDS IN ROSARNO.

When I first arrived, the Italian government was not active when it came to migrant integration. I did feel welcomed, but more thanks to the African community here.

ONCE I RECEIVED MY PERMIT TO STAY, I MOVED TO PARMA IN NORTHERN ITALY AND TRAINED TO BECOME A CULTURAL MEDIATOR.

I have six brothers; none of them moved to Europe. I actually fought with them at times, because I did not want them to go through what I have been through. They can get their education back home first and, if they want to go to Europe, they will go but with a work permit, or for study reasons.

Many of my co-nationals have a dream—but this dream very often is extremely far from reality.

THE NEED TO MOVE—TO CHANGE COUNTRY—IS HUMAN.

I understand it, but if you wish to migrate, do not come illegally. Otherwise, you live in fear. When I first arrived in Italy, I was constantly afraid the police would catch me and send me back home. It's not easy.

WHEN I AM HERE, I DO MISS MY COUNTRY AND FAMILY, BUT WHEN I GO VISIT THEM I INSTANTLY MISS MY LIFE AND FRIENDS IN ITALY.

I never applied for Italian citizenship because I do not think nationality is defined by your passport.

i am a migrant

NATALYA NEPOMNYASHCHKA

UKRAINE to GERMANY

We came by bus. I was 11 years old. It took more than 30 hours. We were put in a hostel in Bavaria for two and half months.

When we first arrived, I had to go to school, and my parents started language courses. I had a hard time finding friends because I didn't speak German. Everything was different. My parents never managed to learn German. I always had to interpret, which is challenging for a child. The first couple of years I wanted to go back all the time. At some point I started to get good marks. But always, school was extremely difficult.

I moved out when I was 17 to go to school in Munich. By the time I was 21 I had a state-certified degree in languages. It wasn't a proper Bachelor's but it was recognized in the U.K. So I applied for a Master's degree there and I was very happy when I got accepted. I focused on work and, at 22, I had my Master's. I learned how to fight. I could easily have given up and become unemployed.

I FOUNDED MY OWN ORGANIZATION FOR EQUAL OPPORTUNITIES FOR POOR KIDS IN GERMANY. WE HAVE OUR FIRST KICKOFF EVENT NEXT WEEK. IT IS CALLED NETZWERK CHANZEN (NETWORK CHANCES). THE GOAL IS TO FIGHT FOR EQUAL OPPORTUNITIES FOR KIDS FROM POOR BACKGROUNDS ALL OVER GERMANY—NOT SPECIFICALLY MIGRANT KIDS, BUT ALL KIDS.

I have a German passport and I celebrated when I received it. I partied. In certain things I am more German than the Germans are. I love reliability. I love getting things done in advance. I am totally, totally German.

I AM MOST PROUD OF OUR GERMAN SOCIETY, THAT WE SUPPORT OUR POOREST PEOPLE AND CARE FOR THEM. EVERYONE CAN FIND THEIR PLACE HERE.

On migration, I think it is not only about the state providing support. I think migrants must learn the language, learn the laws, learn how the society functions. And I think in turn it is important that Germans speak to migrants, because many have never spoken to them.

i am a migrant

SRIMATI SEN

INDIA to CANADA

It was the first time I had ever been on a plane. I had my doll close like a security blanket. I remember the goodbyes at the airport and how heartbreaking it was. I try not to think about it. It's piercing.

I could never go back to India and live there. I am not that person anymore. But leaving was probably hardest thing I have ever done, leaving my family, and the culture, and the language – everything I had ever known. I was going off to live by myself with my mother and father, when I had been raised by a village of aunts and uncles.

You have this feeling of 'where am I?' Everyone is friendly, but that feeling of being a stranger in a strange land, especially when you are young … is powerful.

INTEGRATION WAS IMPORTANT TO MY MOTHER. SHE DIDN'T WANT US TO BE IN A TIGHT- KNIT 'INDIAN' COMMUNITY AT THE EXCLUSION OF EVERYONE ELSE. SHE PUT ME IN CLASSES SO THAT I COULD LEARN ABOUT OTHER RELIGIONS. SHE DIDN'T WANT ME TO LIVE IN A WORLD WHERE I ONLY UNDERSTOOD MY OWN EXPERIENCES.

WHEN YOU ARE A MODERN GLOBAL CITIZEN, YOU HAVE A SENSE OF BELONGING EVERYWHERE, BUT NOT FITTING IN ANYWHERE. YOU GO FROM A PLACE WHERE THESE PEOPLE WERE YOUR WHOLE WORLD, TO ONE WHERE YOU FEEL SOME DISTANCE, AS YOU'VE BEEN CHANGED BY A NEW CULTURE.

If you are financially secure and migrate as part of an adventure, that's great. But if you migrate for other reasons, it can be frightening, especially if you have kids. Building a new life is probably one of the most daunting things anyone can do.

i am a migrant

CLAUDIUS OTEGBADE

NIGERIA to CANADA

Canada, because of the diversity here, was very easy for me to fit in. There is no particular race that dominates, and so no inferiority complex or anything. Canada I think has a good mix of races.

I arrived in winter—I really thought I wasn't going to make it! The jacket I wore was warm back in Nigeria. I arrived in the evening and I had to get another jacket the following morning. Waiting for public transport was terrible. If the bus didn't come in two or three minutes I would run back home. I couldn't feel my ears anymore.

THERE WAS THE SUPPORT FROM THE GOVERNMENT FOR THE KIDS, SO THAT KEPT THE PRESSURE OFF ME WHILE I TRIED TO FIGURE OUT MY PATH. WHEN I DECIDED TO GO TO SCHOOL THERE WAS GOVERNMENT SUPPORT FOR THAT. SO IT WAS ALL THERE.

I got a letter that my student loan was due in six months. And then, when it was time to start paying, I checked my account online and found out that the government had paid part of my loan.

The biggest issue I had was my accent. You are speaking English and people you talk to back home hear you clearly. But when you get here, they find it difficult. You keep hearing, "Pardon me" or "what did you say?"

I STARTED MY CAREER AS A CHARTERED ACCOUNTANT IN NIGERIA; I NOW WORK AS A FORENSIC ACCOUNTANT WITH A MULTINATIONAL FIRM.

I have been involved with volunteer work in the last two years, helping other new immigrants to fully understand the tax system in Canada.

I WANT MY KIDS TO HAVE THE OPPORTUNITIES THAT I DIDN'T HAVE BACK HOME.

Many, many days I get a call from someone back home asking, "Tell me, how do you move to Canada?"

i am a migrant

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